

SENATE BILL REPORT

SB 6182

As Reported by Senate Committee On:
Trade & Economic Development, January 30, 2014

Title: An act relating to establishing a tax credit for employers participating in the apprenticeship program.

Brief Description: Establishing a tax credit for employers participating in the apprenticeship program.

Sponsors: Senators Braun, Bailey, Angel, Roach, Becker, Benton, Dammeier, Brown, Sheldon, Honeyford, O'Ban, Rivers, Schoesler, Tom and Fain.

Brief History:

Committee Activity: Trade & Economic Development: 1/23/14, 1/30/14 [DPS-WM, DNP].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6182 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Angel, Vice Chair; Baumgartner and Holmquist Newbry.

Minority Report: Do not pass.

Signed by Senators Chase, Ranking Member; Pedersen.

Staff: Jeff Olsen (786-7428)

Background: The Washington State Apprenticeship and Training Council, which is part of the Department of Labor & Industries, establishes apprenticeship program standards and approves apprenticeship training programs. An apprenticeship is a structured system of on-the-job training and technical instruction designed to produce skilled workers that are fully competent in all aspects of an occupation.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. A number of tax credits are available under the B&O tax, including a jobs tax credit for new jobs in rural counties in manufacturing, commercial testing laboratories, and research and development.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Recommended Substitute): A B&O tax credit is established for employers creating new apprenticeship positions. The legislative intent for creating the tax credit is to increase the number and types of apprenticeships in Washington, including an incentive for employers to place veterans in apprenticeship positions. The tax credit for new apprenticeship positions is:

- up to \$1,000 for each new apprenticeship position in an existing, approved apprenticeship program and up to \$2,000 if the apprentice is a veteran;
- up to \$2,000 for each new apprenticeship position in a new apprenticeship program and up to \$3,000 if the apprentice is a veteran; or
- up to \$3,000 for each new apprenticeship position in a new apprenticeship program where the Workforce Training Board identified a gap in the supply of skilled workers, including, but not limited to, the aerospace industry, manufacturing industry, and medical industry and up to \$4,000 if the apprentice is a veteran.

The credits may be carried over until used up to four tax years after the tax year during which the credit was earned.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): Removed the \$4,000 tax credit for each new apprenticeship position where the apprentice is a veteran and added \$1,000 to each tax credit category if the apprentice is a veteran.

Appropriation: None.

Fiscal Note: Requested on January 14, 2014.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on August 1, 2014.

Staff Summary of Public Testimony on Original Bill: PRO: The goal is to expand the apprenticeship program in different sectors not currently being served and provide greater access to the program. Apprenticeships can be a very cost-effective way for training skilled workers. Training employees for specific skills is expensive and costly for businesses. On-the-job training is a very effective tool for businesses.

CON: The construction industry uses apprenticeships, but has been impacted by the current recession and is struggling. Education is very expensive, and the current apprenticeship programs are not included in the bill. Employers and employees both contribute to the cost of the program.

OTHER: Training can be very costly, especially for small businesses. The most cost-effective ways to help our veterans may be through other programs. Apprenticeship programs are typically used by mid to large-sized companies. Apprentices start at lower wages, and give larger employers an incentive already, and the credit may make that advantage even larger.

Persons Testifying: PRO: Senator Braun, prime sponsor; Amber Carter, Assn. of WA Business.

CON: Terry Tilton, National Construction Alliance, NW Carpenters & Operating Engineers.

OTHER: Patrick Connor, National Federation of Independent Business, WA.